



Oregon

March 2013 Economic & Revenue Outlook

February 15, 2013

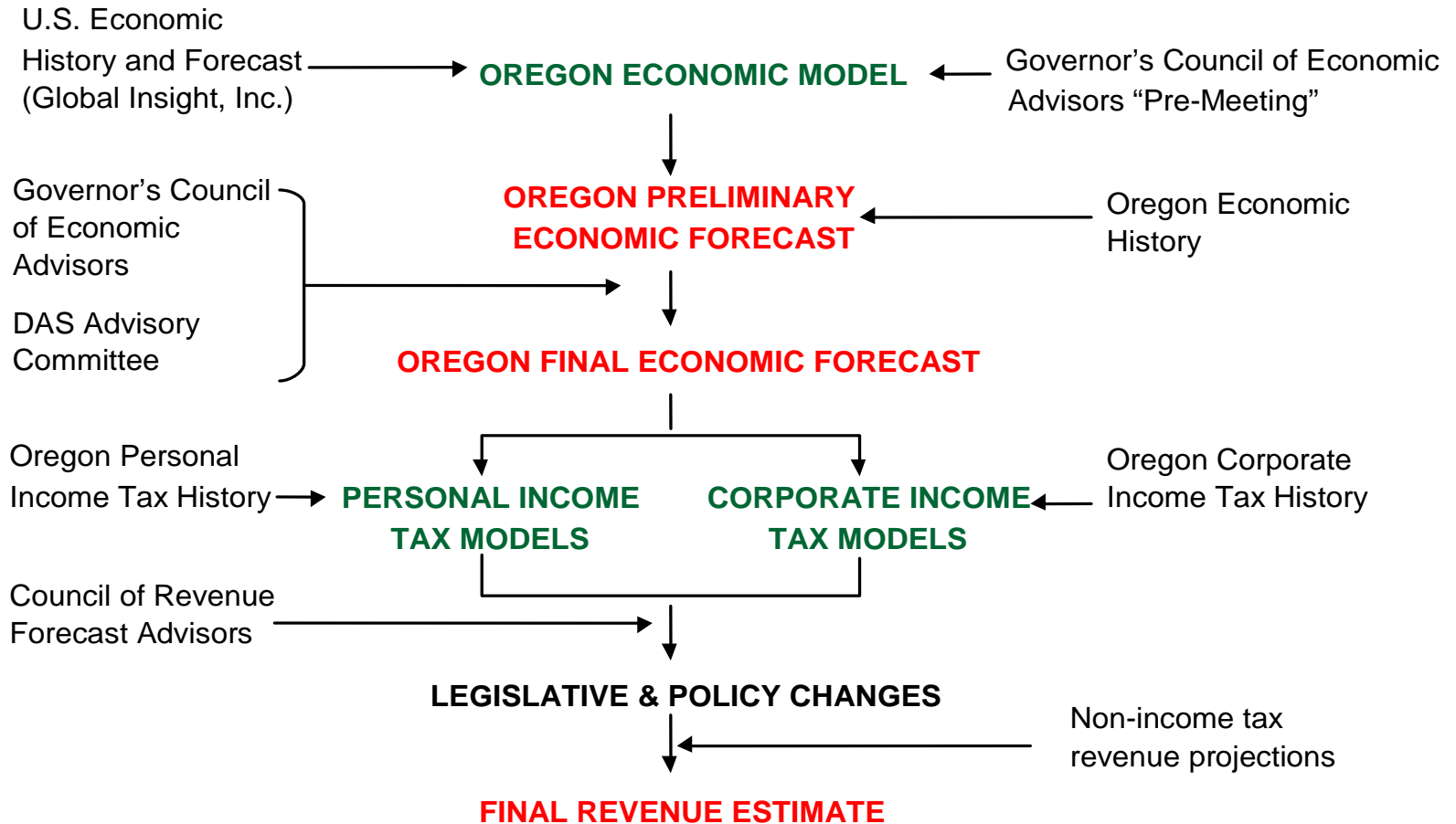
Mark McMullen & Josh Lehner
Office of Economic Analysis



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Methodology Overview

Economic and Revenue Forecast





Close of Session of Forecast

- COS forecast for the upcoming biennium is the mid-May forecast plus legislative changes during the remainder of session.
- Usually released with the September forecast in odd-numbered years.
- COS forecast used for budgeting the upcoming biennium and is the base for kicker calculations.





Guiding Principles

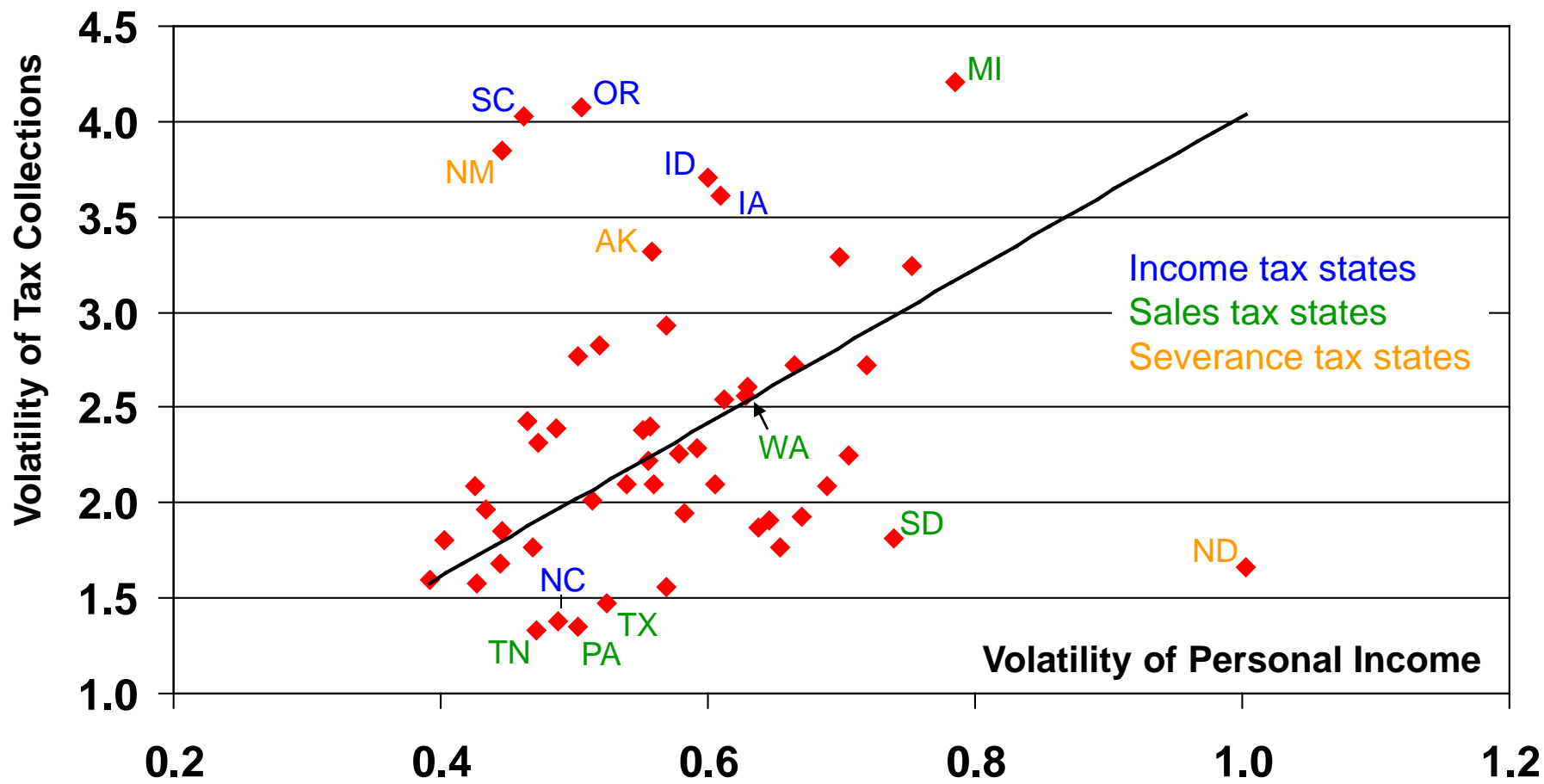
- Current-law GF forecast, updated quarterly.
- Unbiased, most-likely forecast given prevailing economic conditions and assumptions.
- Continue to refine models, develop new data sources, employ expert input to improve forecast accuracy.
- For every forecast, provide users with a measure of the potential for actual revenues to deviate from projections.





Big Swings in Tax Revenue

State tax collections & personal income growth, normalized standard deviations 1994-2010Q3

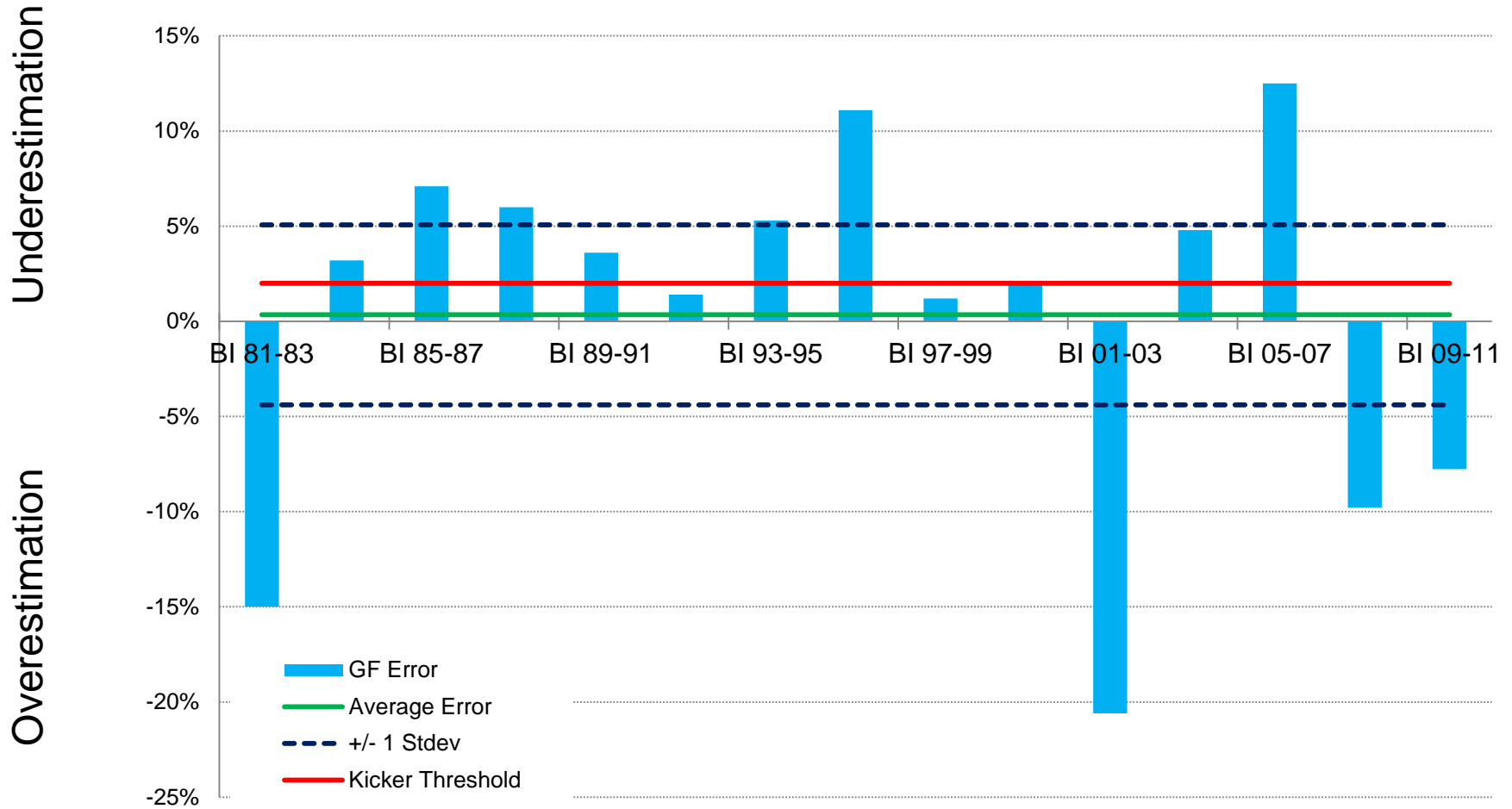


Source: Census Bureau



General Fund COS Forecast Errors

Biennial Revenue Errors





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U.S. Economy



Another Few Months of Sluggish US Economic Growth

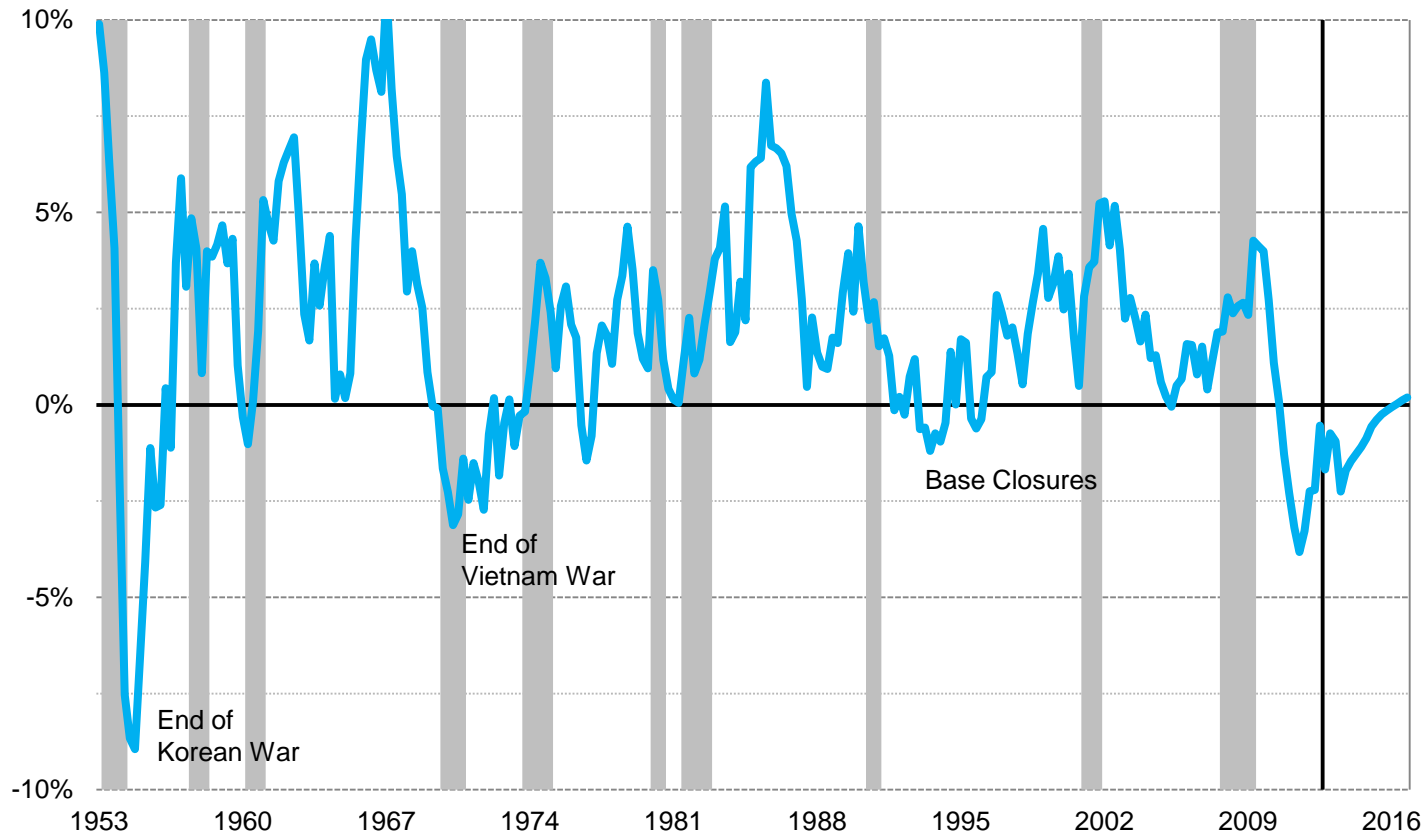
- The US expansion has weak momentum, but is moving forward
- The fiscal cliff was largely averted, but a battle looms over the federal debt ceiling, which will soon become a binding constraint on spending
- Housing and vehicle markets are rebounding, supporting growth
- Consumers will cautiously increase their spending in response to moderate gains in employment, income, and net worth
- Continuing stagnation in the Eurozone will restrain US export growth
- The probability of a return to recession in 2013 remains at 20%





Fiscal Tightening Acts as a Near-Term Drag

Government Expenditures & Investment
Year-over-Year Change





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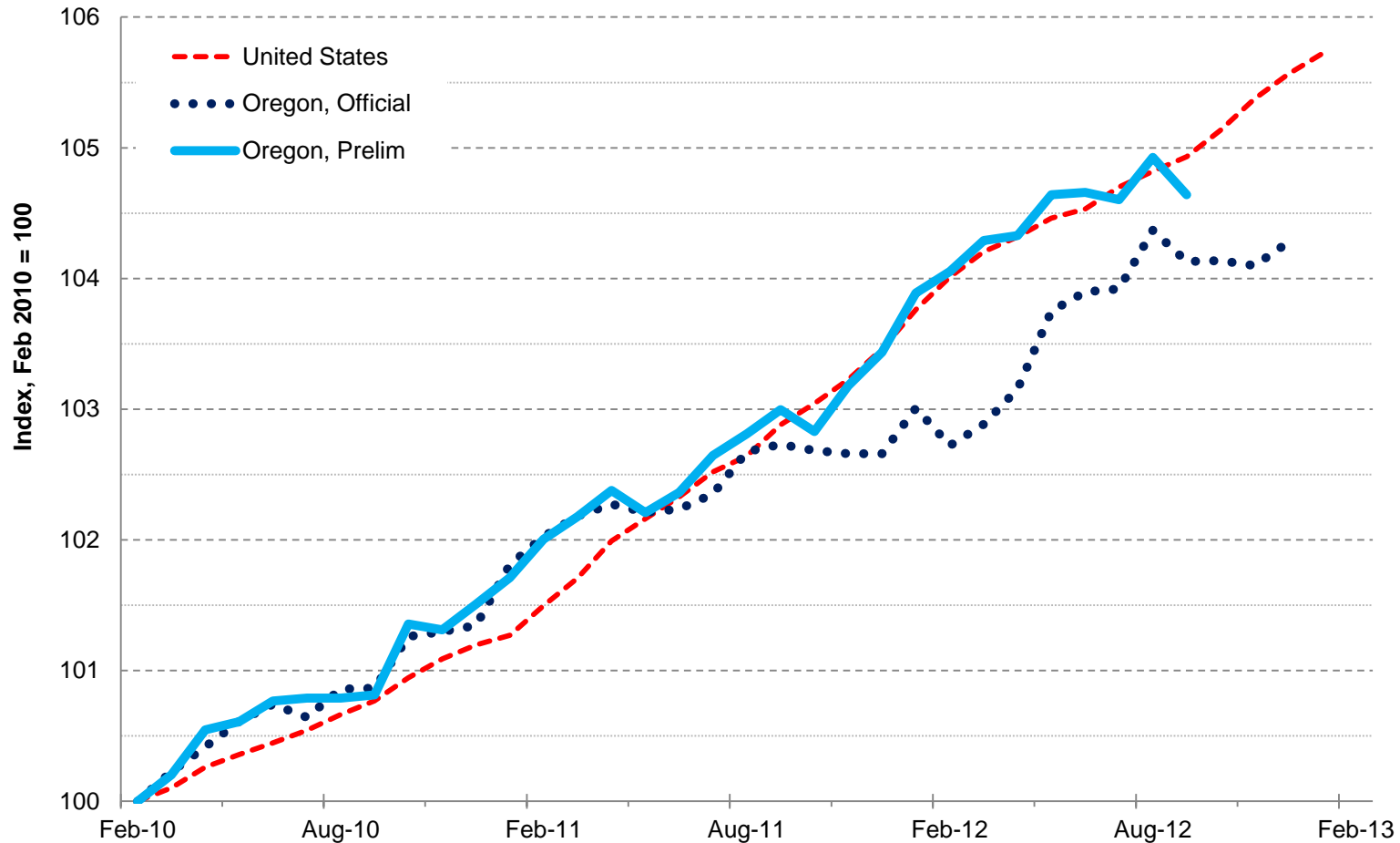
Oregon: Recent Performance



Slow and Steady Job Growth

Index: Feb 2010=100

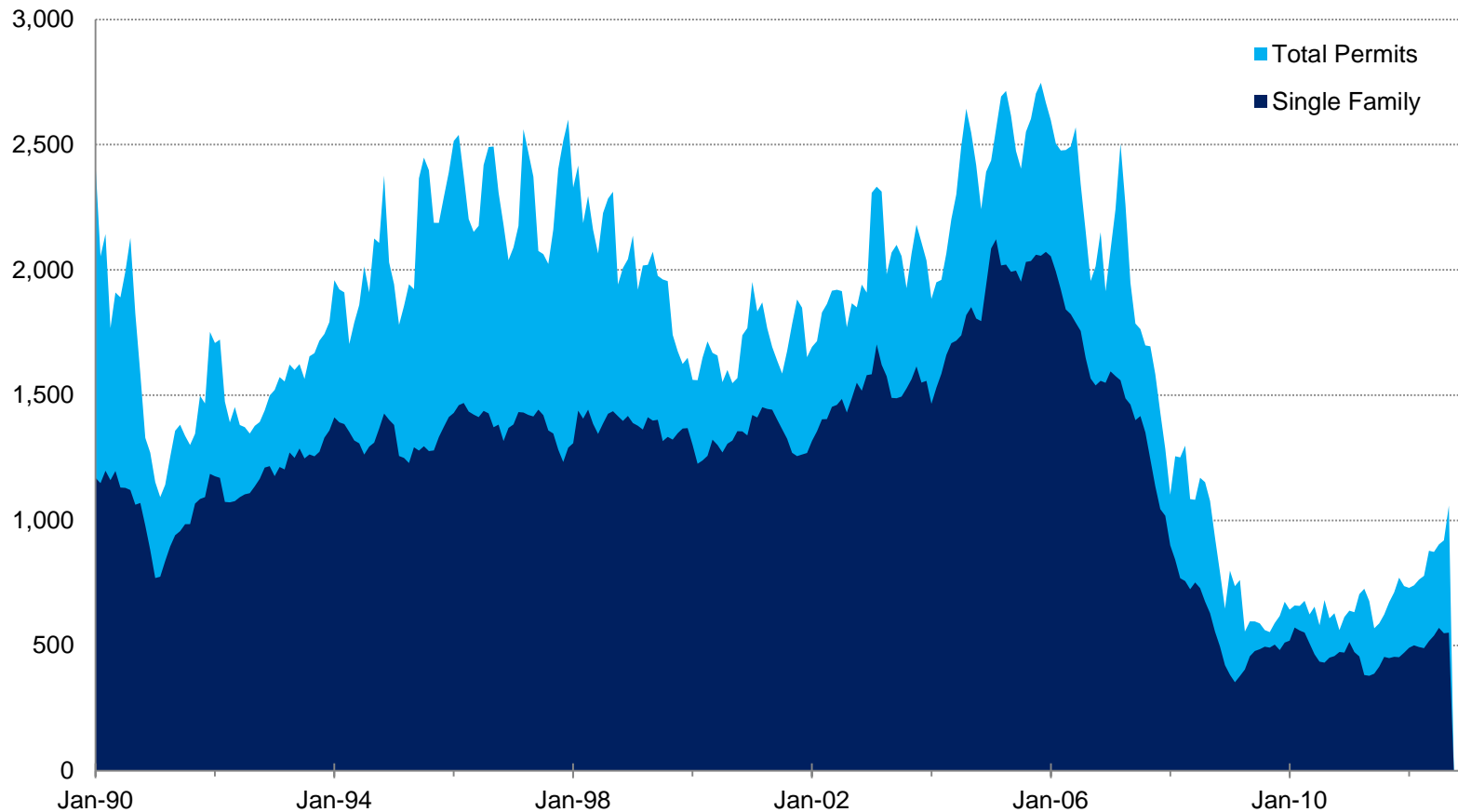
Private Sector Growth in Expansion





Housing: Impressive Growth Rates from a Low, Low Base

Oregon Housing Permits (Monthly, SA 3 MMA)

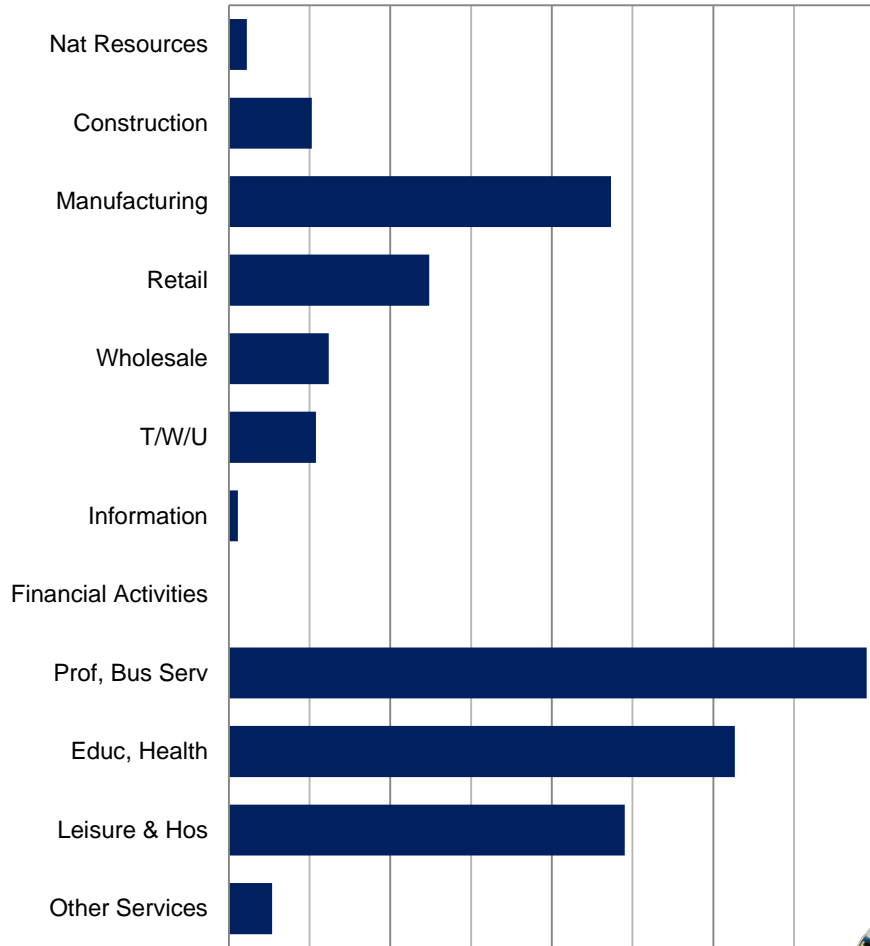




Where the Jobs Are

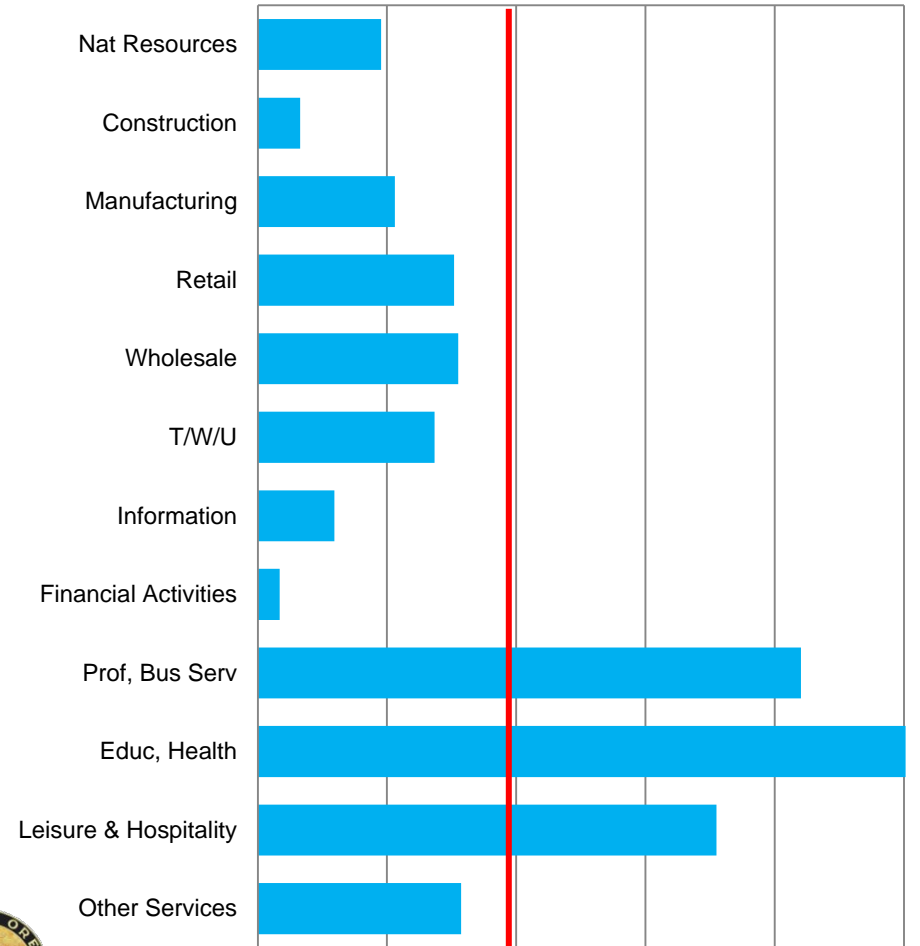
Job Gains in Expansion (Feb 2010 - Sep 2012)

0 4,000 8,000 12,000 16,000



Percent of Recession Losses Regained (data through Sep 2012)

0% 20% 40% 60% 80% 100%



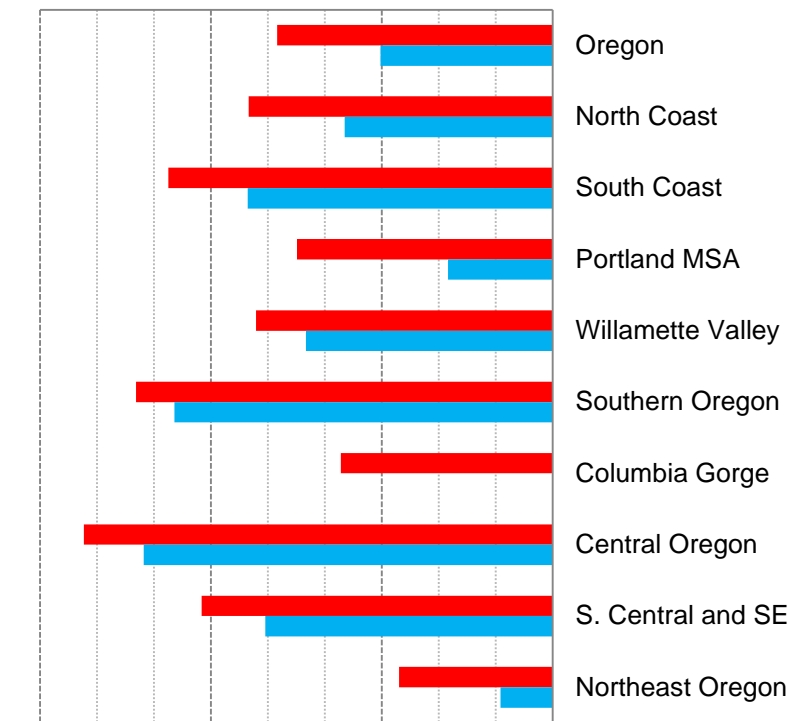


Recession Losses by Region

Great Recession Income Loss

Real Personal Income less Transfer Payments

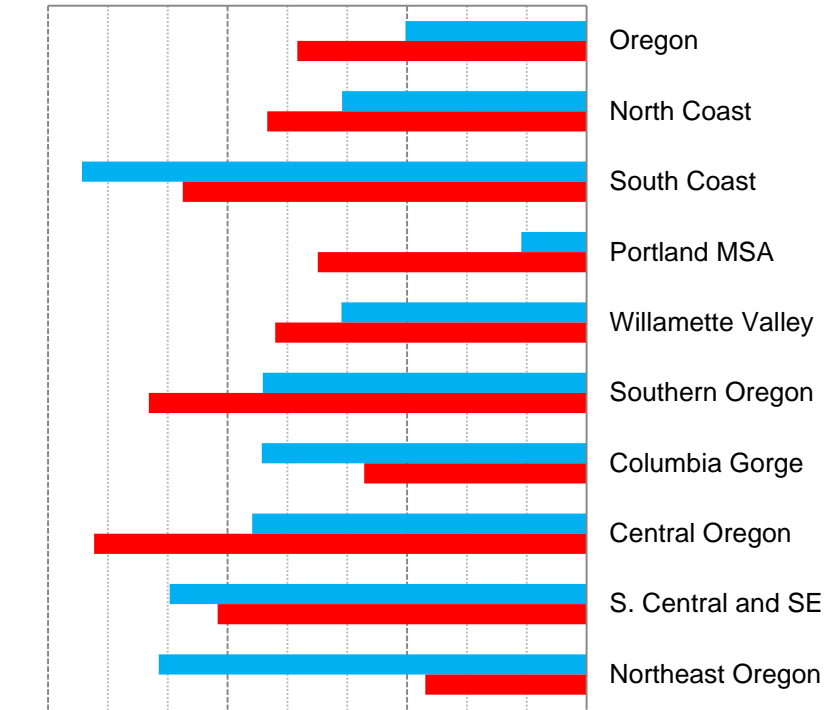
■ Recession Losses (Peak to Trough) ■ Current Relative to Peak



Recession Comparison

Real Personal Income less Transfer Payments

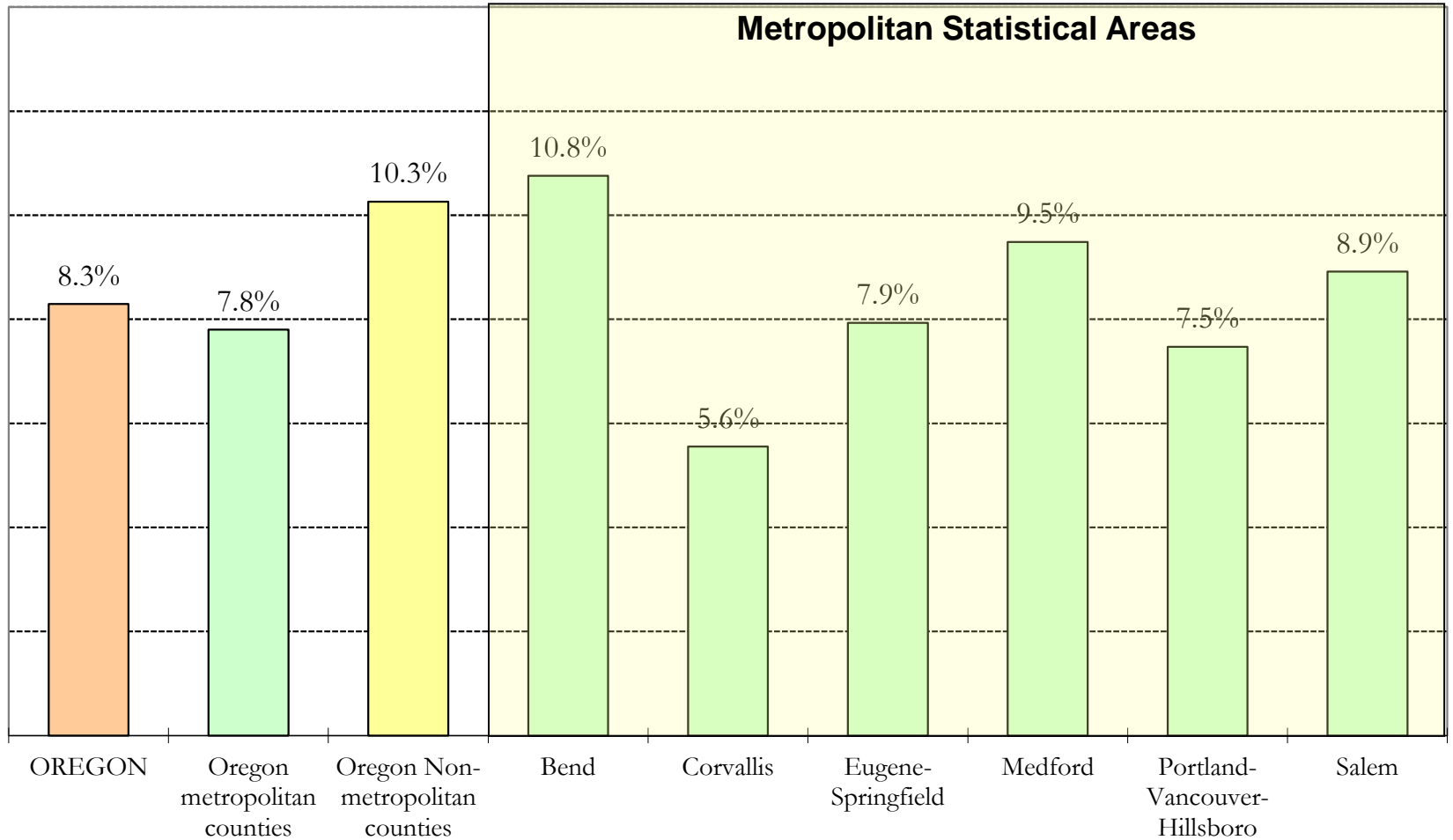
■ Early 80s ■ Great Recession





Unemployment rate by MSA designations, December 2012

Note: Portland-Vancouver-Hillsboro includes Clark and Skamania counties in Washington State
Not seasonally adjusted





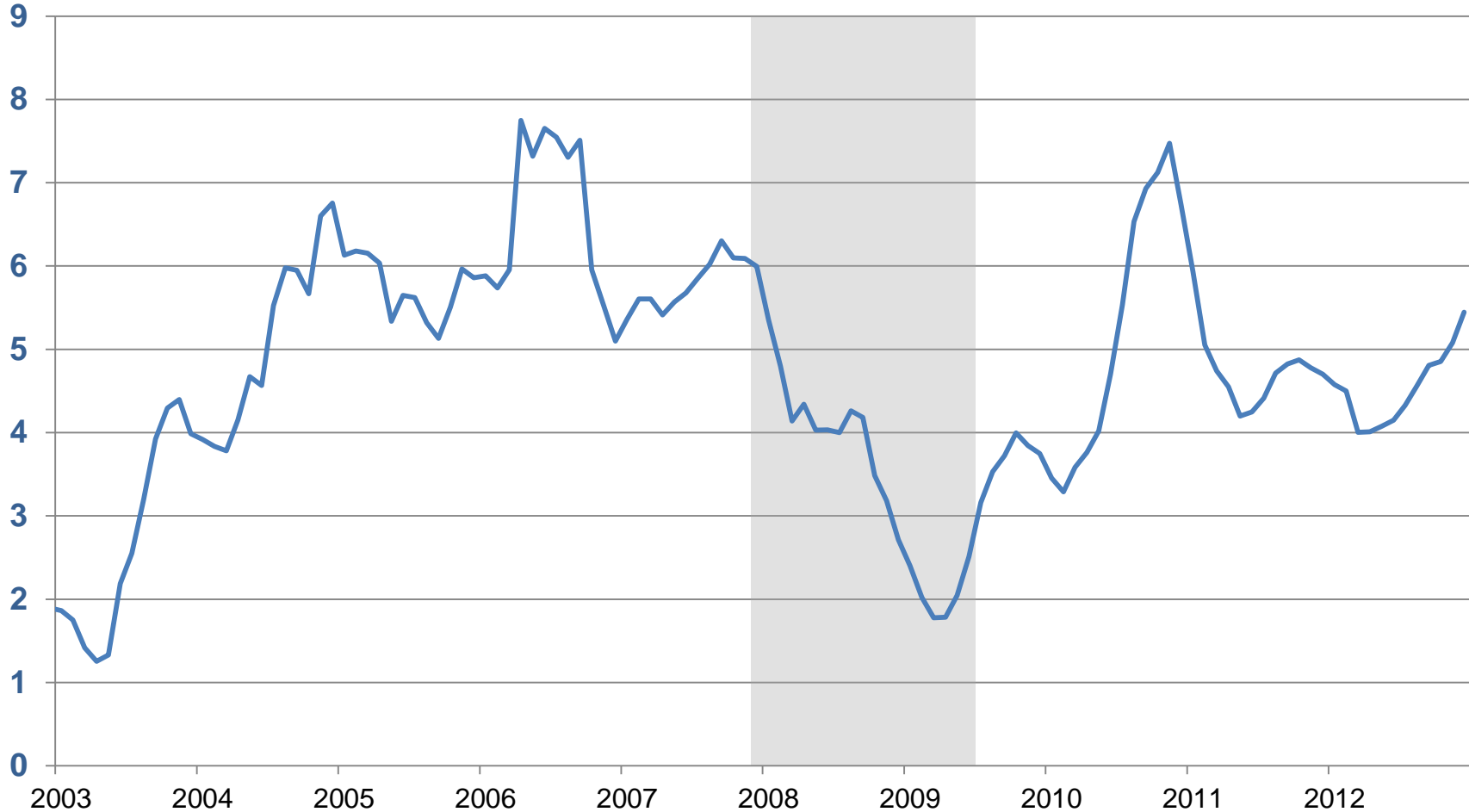
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Leading Indicators



News From Around the State

Around the State Good News/Bad News* Ratio



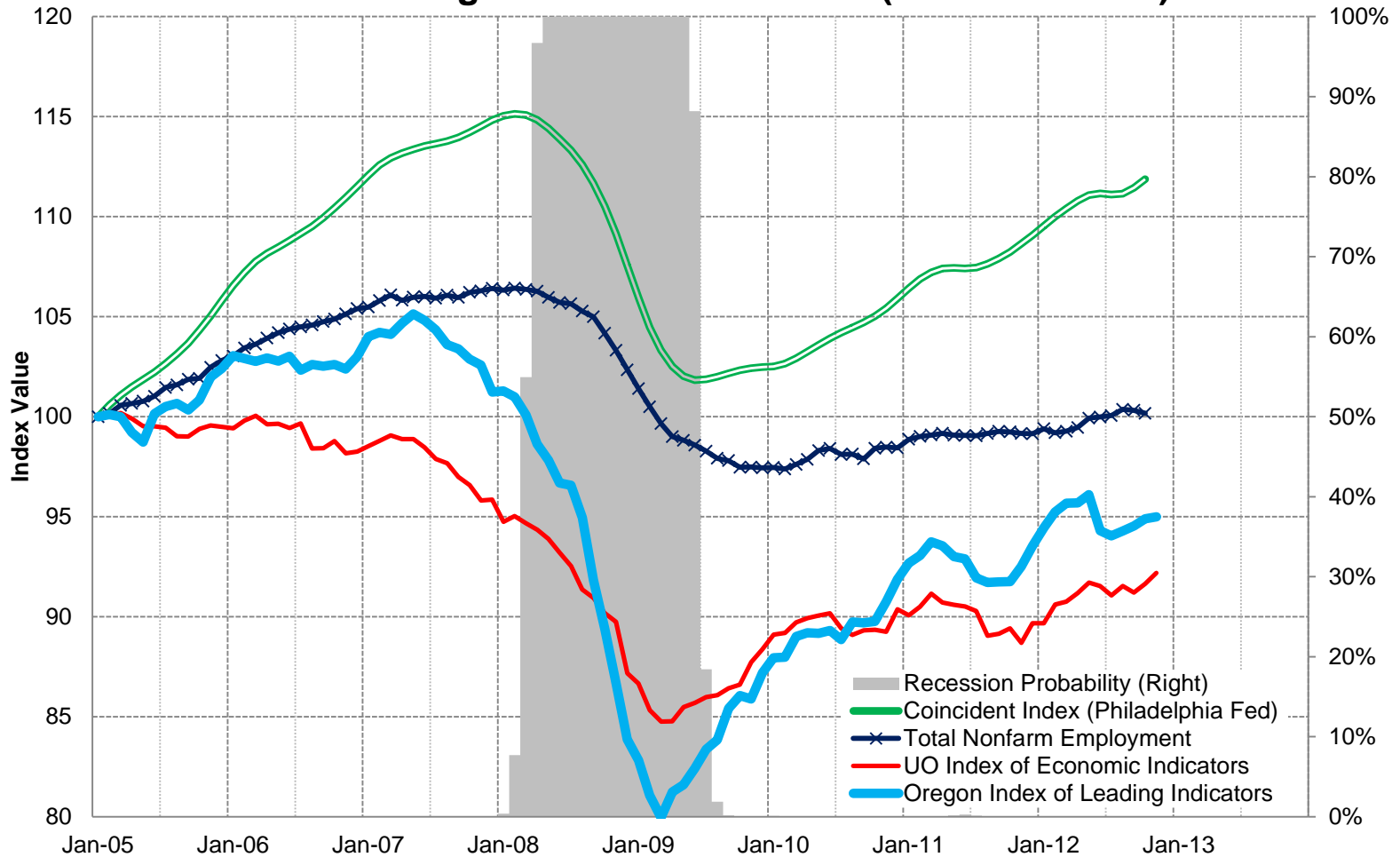
***Good news**=sum of expanding firms, rehires and new firms. **Bad news**=sum of reductions, layoffs and closures.





Leading Indicators, Oregon

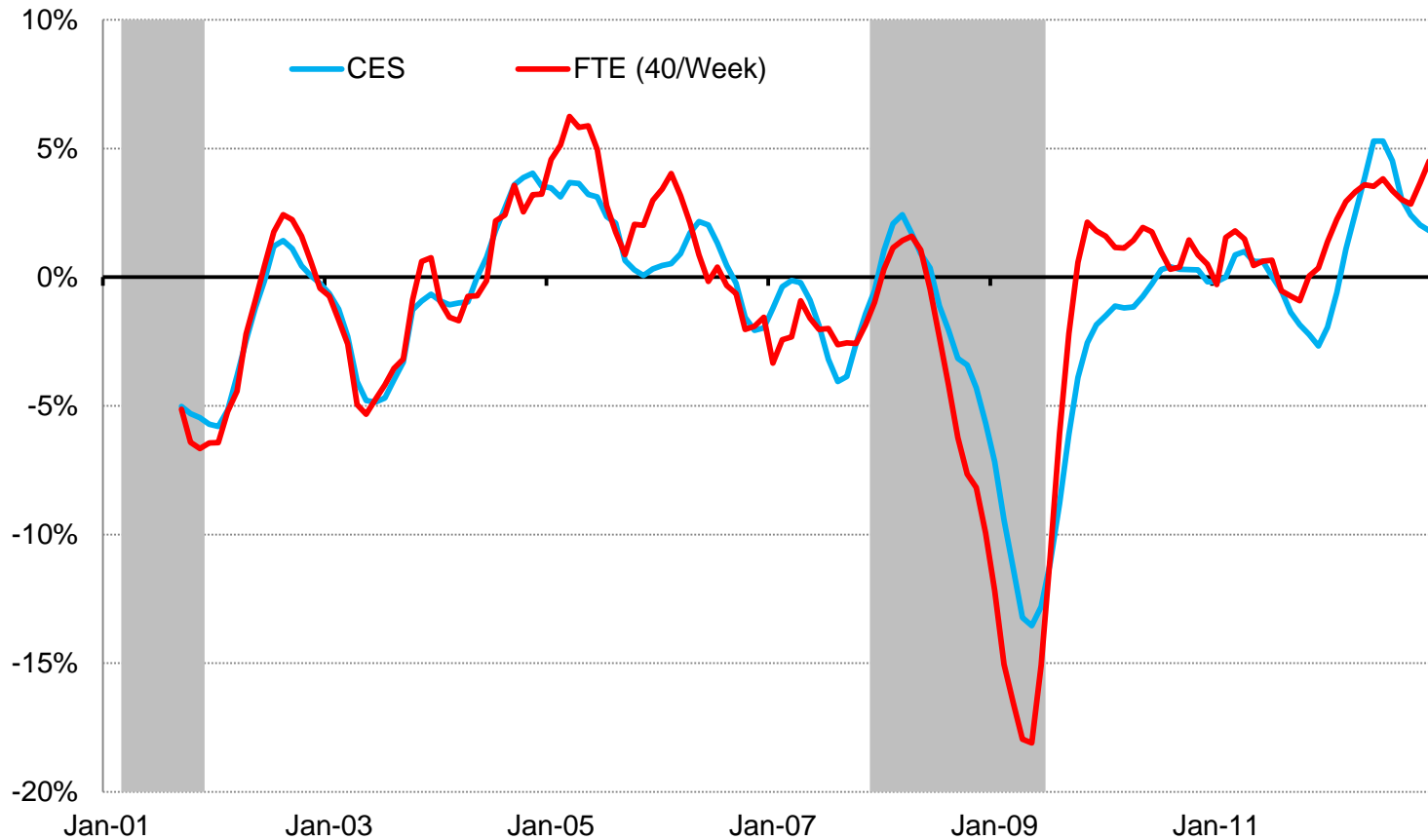
Oregon Economic Indexes (Jan 2005 = 100)





Hours Worked Increasing

**Manufacturing Employment, 3MMA
6 Month Percentage Growth**

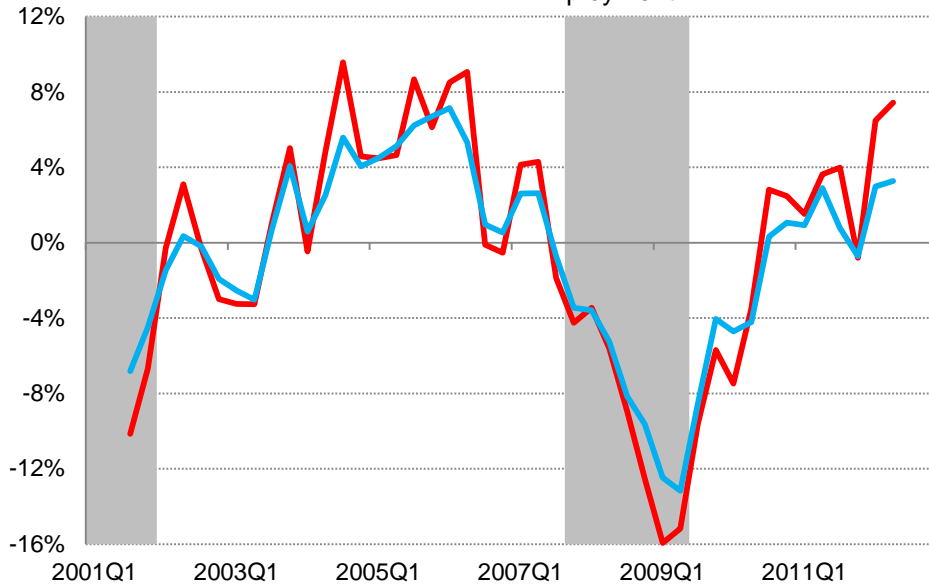




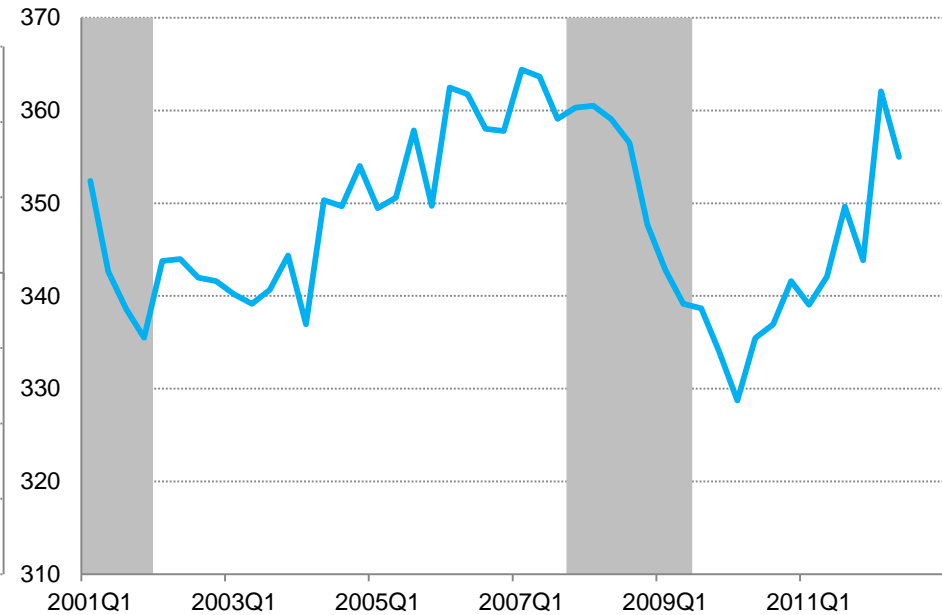
Construction Workers Stretched Thin

Construction Employment, SA
6 Month Percent Change

FTE Employment



Construction Hours Worked
Quarterly Average, SA





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Risks



Upside Risks Appear

(Biggest Surprises of 2013: Survey Responses)

- 1) US housing booms, starts and prices beat expectations
- 2) US economic growth exceeds expectations
- 3) Economic growth in BRIC's better than assumed
- 4) US job growth accelerates, lowering unemployment
- 5) Eurozone economic situation, markets improve more than anticipated
- 6) Economic growth/inflation runs hotter than expected, pressuring long-term rates higher
- 7) Congress/White House reach "grand bargain"
- 8) US downgraded by credit rating agencies
- 9) US economic growth weakens, instead of strengthening in 2013h2
- 10) Situation in Europe deteriorates, Greece exits Eurozone in 2013





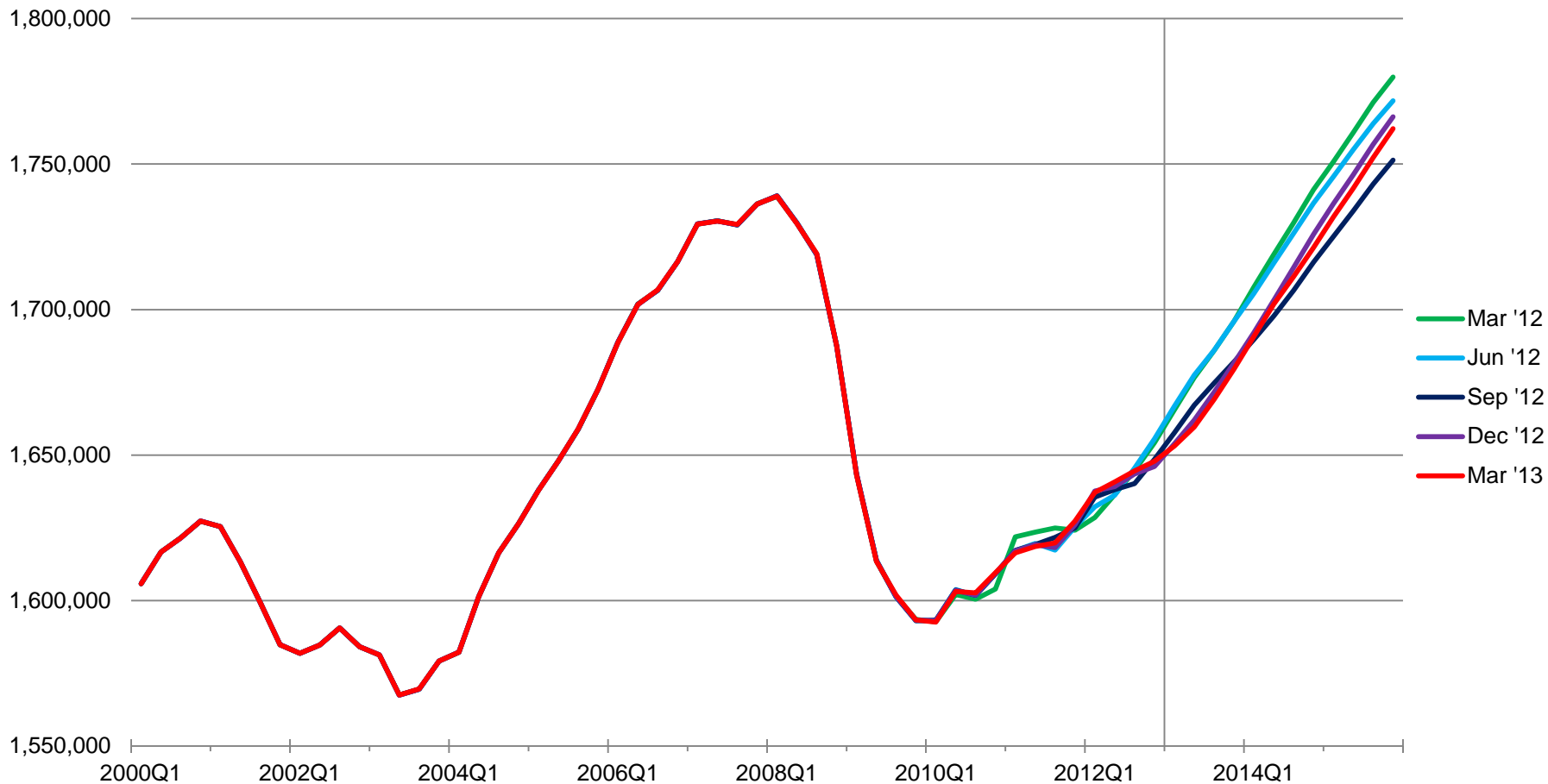
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Summary



Forecast Comparison

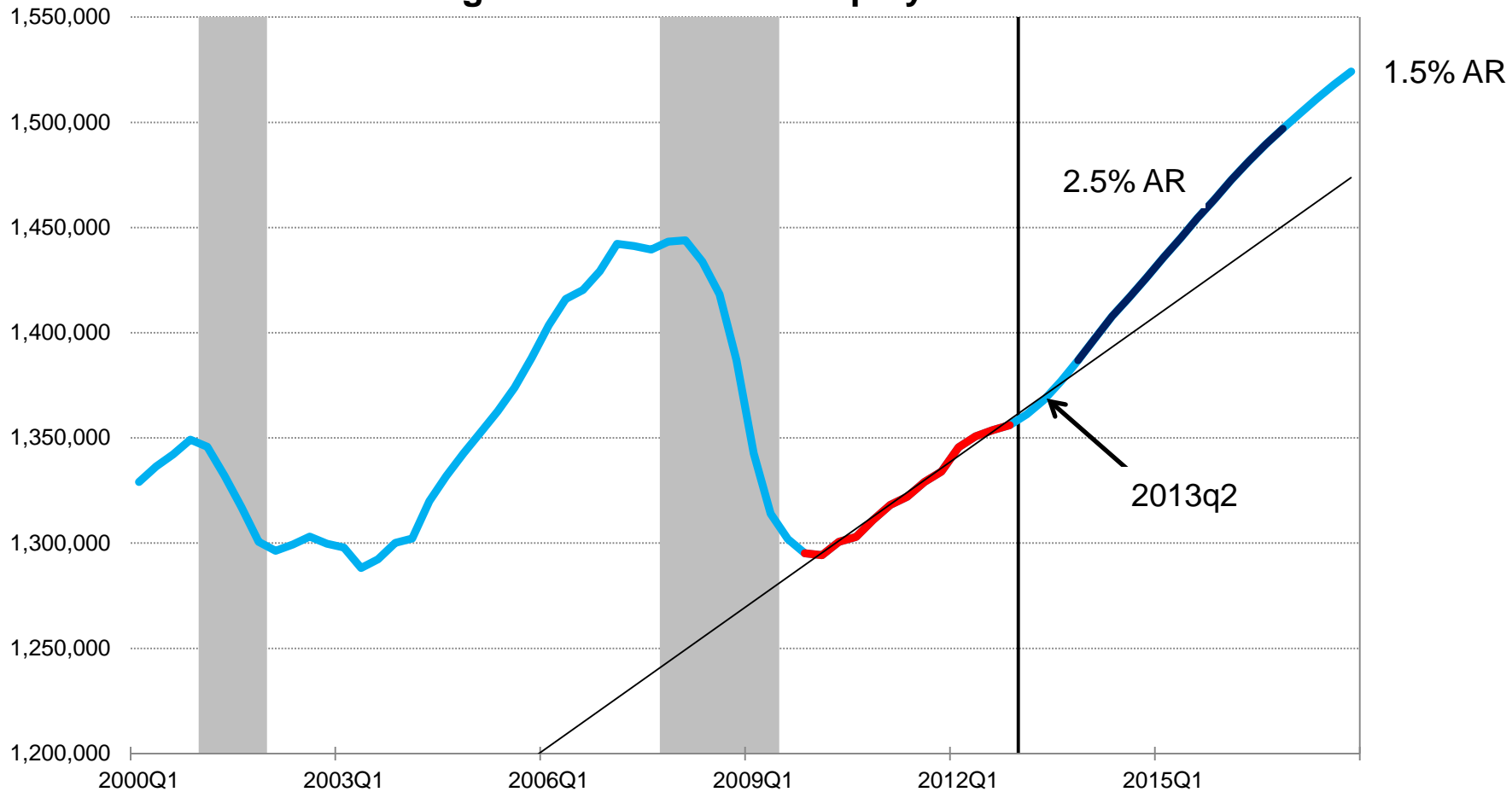
Oregon Total Nonfarm Employment





Bottom Line: Some Acceleration...

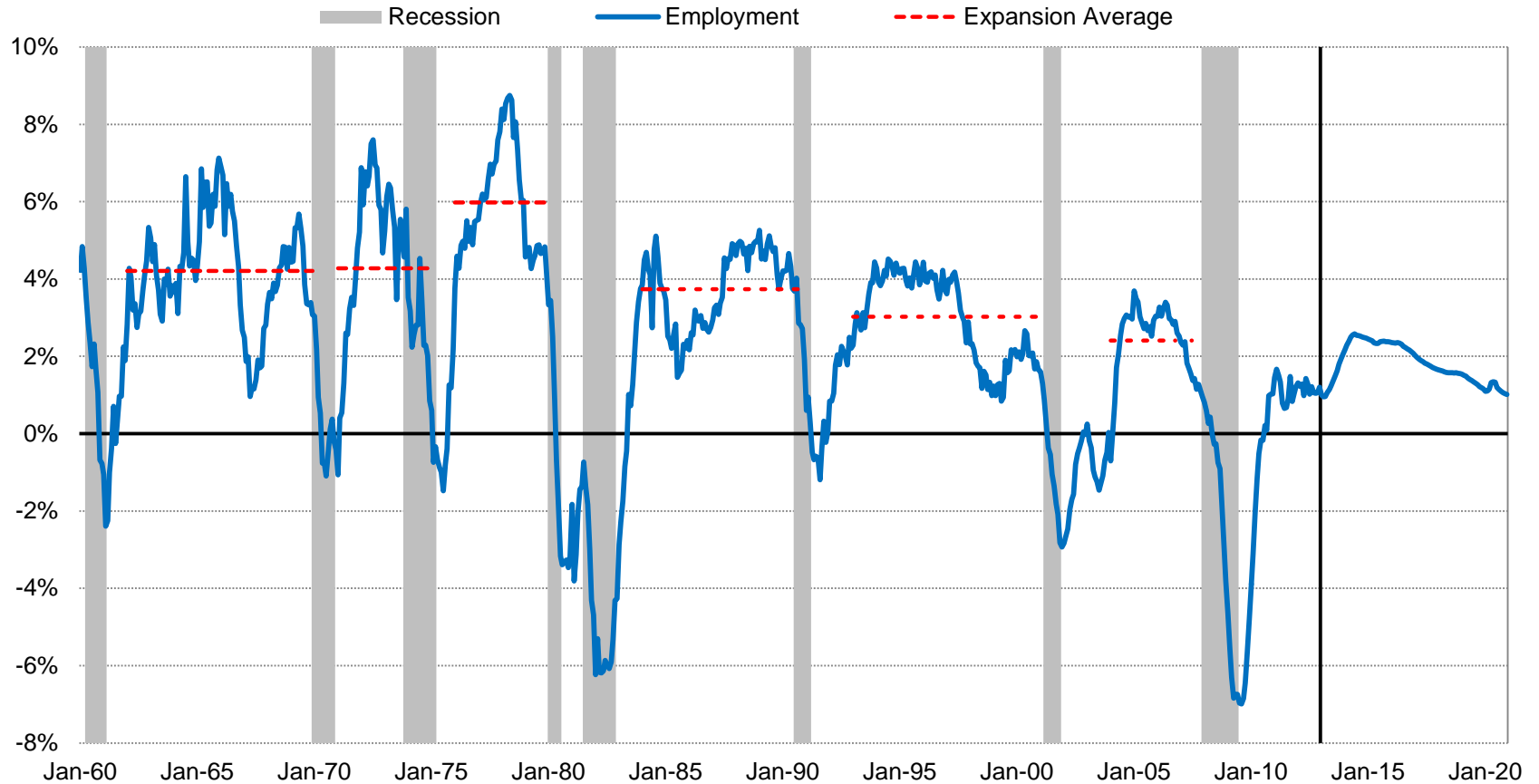
Oregon Private Sector Employment





...but Nothing to Write Home About

Oregon Nonfarm Employment Growth (Y/Y)





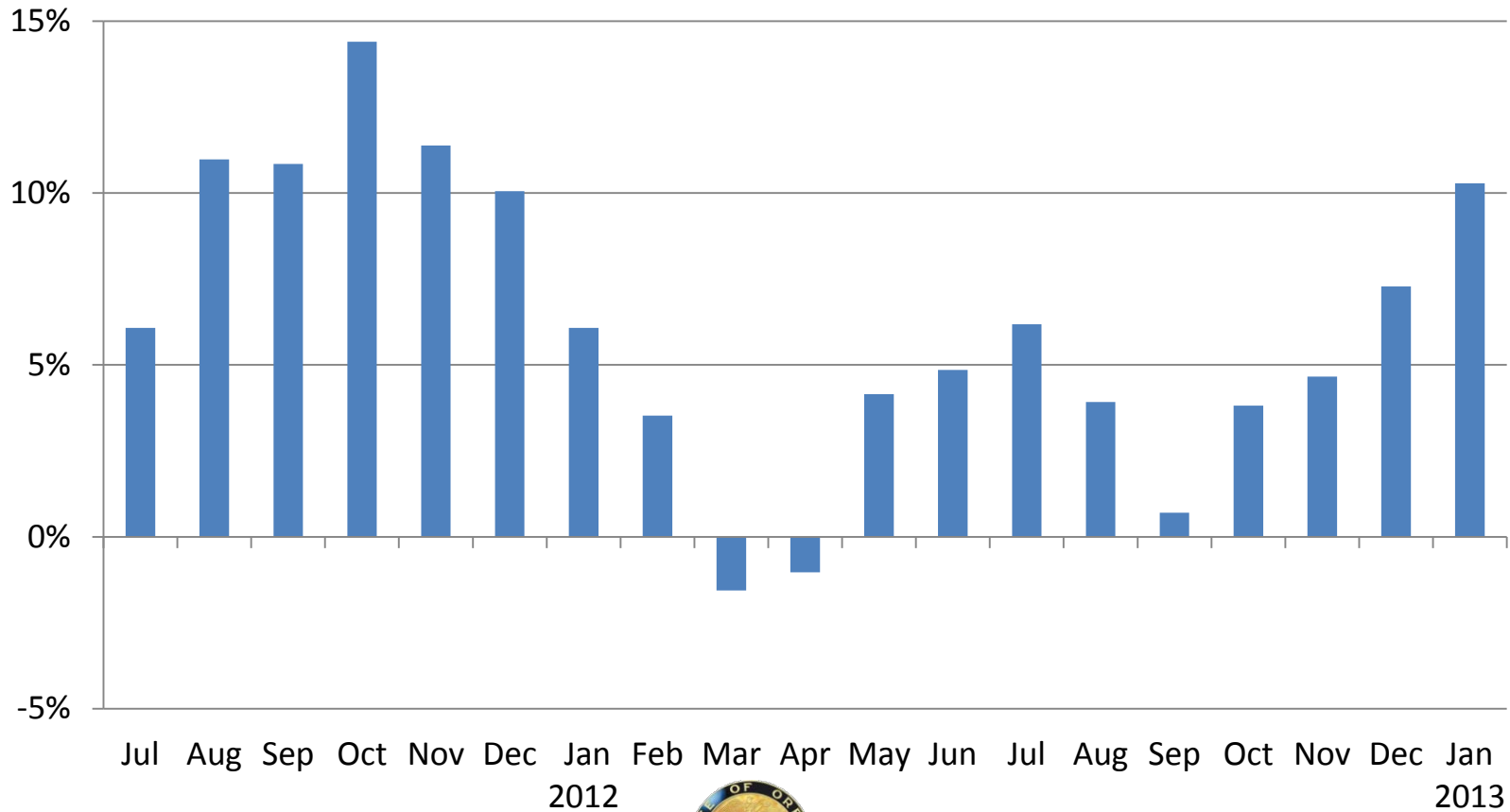
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Revenue Outlook



PIT: Strong Growth Heading Into the Peak Tax Season

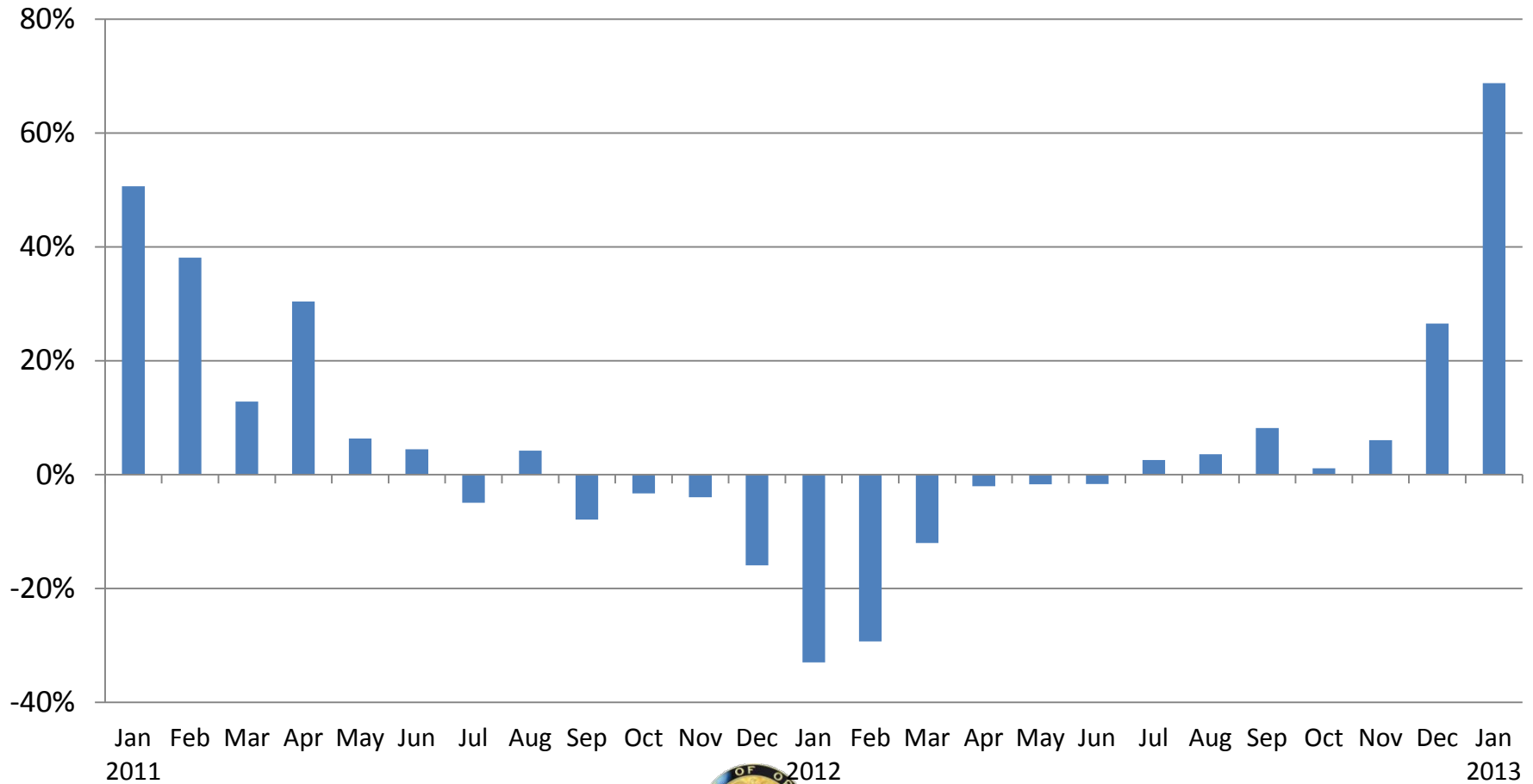
Recent Personal Income Tax Collections
% change over year ago, 3 month moving sum





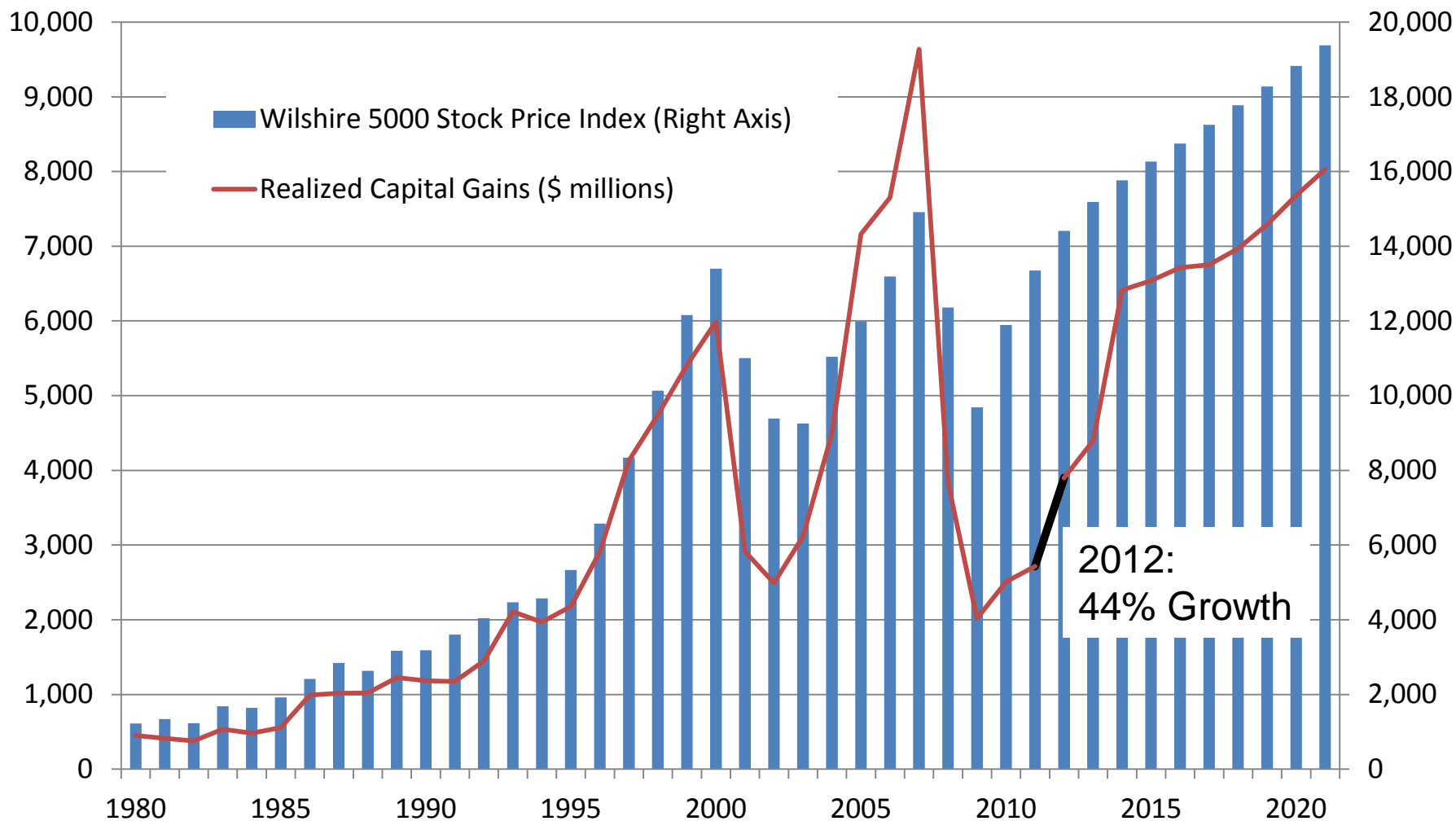
Corporate Taxes: End of Biennium Boom

Corporate Excise Tax Collections % change over year ago, 3 month moving sum





Taxable Capital Gains: April Surprise?

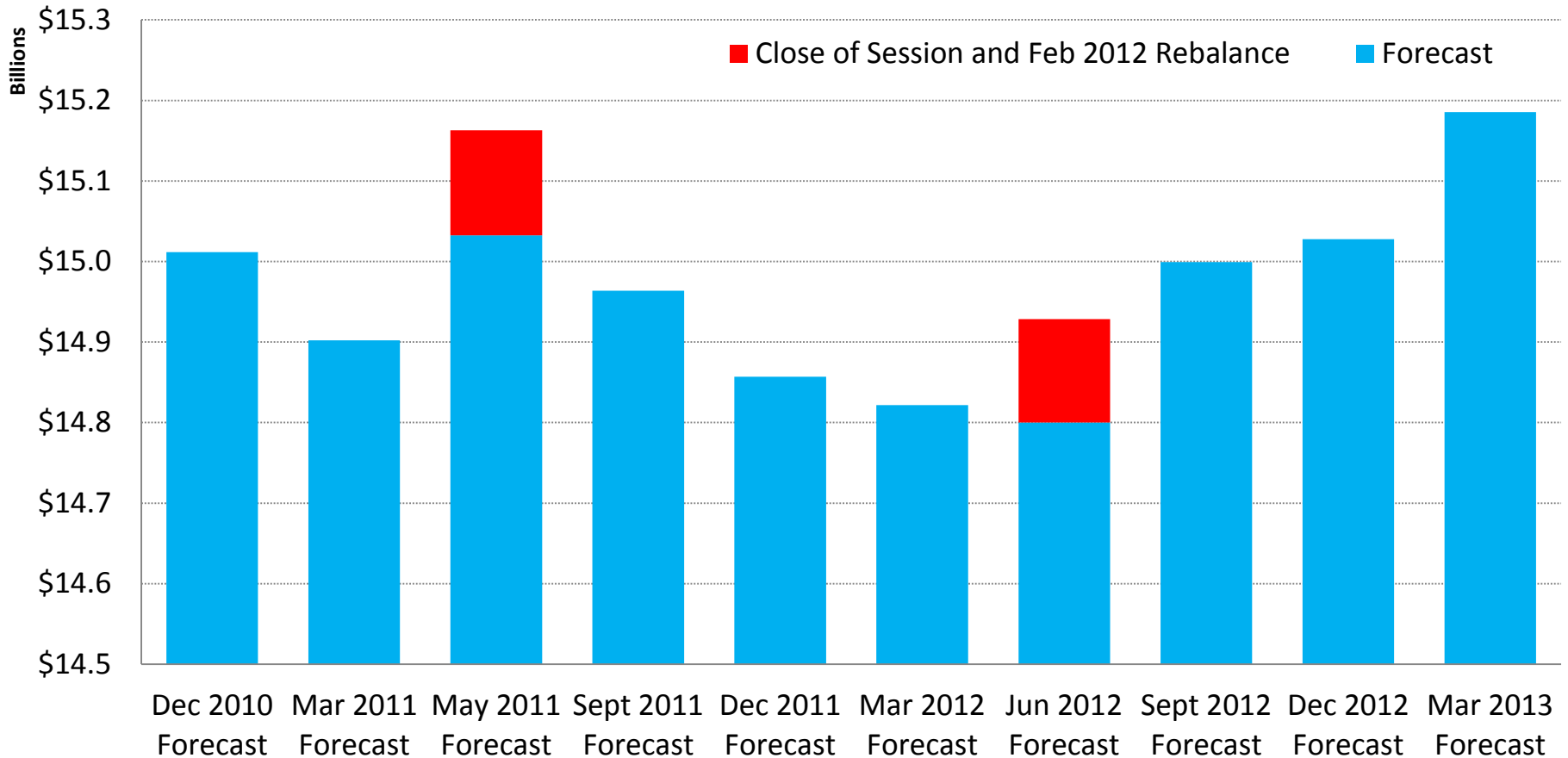




Back to the Close of Session

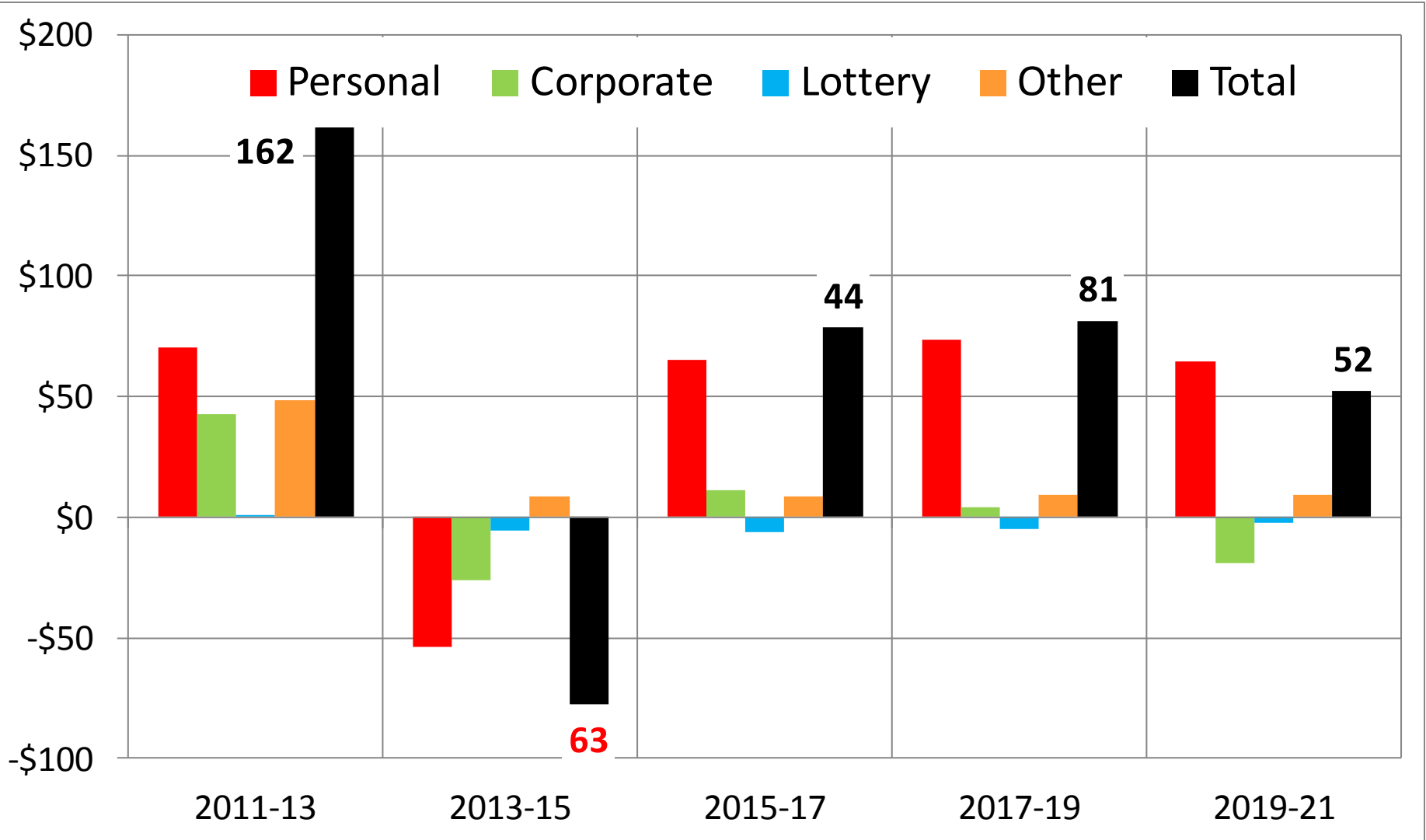
Forecast Evolution, Dec 2010 to Mar 2013

Combined General Fund and Lottery Fund Revenues (2011-13 BN)



Forecast Changes

Difference from December forecast, \$ millions



March 2013 Forecast Summary

	2011-13 BN			2013-15 BN		
	Dec ' 12 Forecast	Mar ' 13 Forecast	Change	Dec ' 12 Forecast	Mar ' 13 Forecast	Change
Taxes						
Personal Income Taxes	11,974.8	12,044.9	70.1	13,506.8	13,452.7	(54.1)
Corporate Income Taxes	855.9	898.3	42.4	1,052.9	1,026.8	(26.1)
Other Taxes (Estate, Insurance, Tobacco)	429.0	443.3	14.3	441.8	445.4	3.6
Fines and Fees	274.9	279.6	4.7	254.0	258.8	4.8
All Other (Liquor, Interest, Misc, One-Time)	426.5	456.2	29.7	261.7	261.7	0.0
Offsets & Transfers	(12.0)	(12.0)	0.0	(105.0)	(101.5)	3.5
Net General Fund Revenues	13,949.1	14,110.3	161.2	15,412.0	15,343.8	(68.2)
Plus Beginning Balance	0.0	0.0	0.0	220.9	382.1	161.2
Less Anticipated Administrative Actions*	(4.4)	(4.4)	0.0	(18.2)	(18.2)	0.0
Legislatively Adopted Actions				(137.2)	(137.2)	0.0
Available Resources	13,944.7	14,105.9	161.2	15,477.5	15,570.4	92.9
Projected Expenditures	13,723.8	13,723.80.0				
Estimated Ending Balance	220.9	382.1	161.2			
Lottery Available Resources	1,078.6	1,079.7	1.1	1,050.8	1,045.0	(5.8)
Total Available Resources (GF + Lottery)	15,023.3	15,185.5	162.3	16,528.3	16,615.4	87.1

2015-17 BN 2017-19 BN 2019-21 BN

Total Available Resources (GF + Lottery)	79.8	83.7	54.1
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10-Year Forecast

Table R.2

General Fund Revenue Forecast Summary (Millions of Dollars, Current Law)

Revenue Source	Forecast 2009-11		Forecast 2011-13		Forecast 2013-15		Forecast 2015-17		Forecast 2017-19		Forecast 2019-21	
	Biennium	% Chg	Biennium	% Chg	Biennium	% Chg	Biennium	% Chg	Biennium	% Chg	Biennium	% Chg
Personal Income Taxes	10,467.2	3.7%	12,044.9	15.1%	13,452.7	11.7%	15,199.8	13.0%	16,715.8	10.0%	18,471.5	10.5%
Corporate Income Taxes	827.6	20.9%	898.3	8.5%	1,026.8	14.3%	1,082.3	5.4%	1,039.8	-3.9%	1,031.4	-0.8%
All Others	1,226.6	29.8%	1,179.1	-3.9%	965.8	-18.1%	1,024.0	6.0%	1,092.5	6.7%	1,176.4	7.7%
Gross General Fund	12,521.4	6.8%	14,122.2	12.8%	15,445.3	9.4%	17,306.1	12.0%	18,848.2	8.9%	20,679.3	9.7%
<i>Offsets and Transfers</i>	-		(12.0)		(101.5)		(119.8)		(126.8)		(135.4)	
Net Revenue	12,521.4	-2.2%	14,110.3	12.7%	15,343.8	8.7%	17,186.3	12.0%	18,721.4	8.9%	20,543.9	9.7%

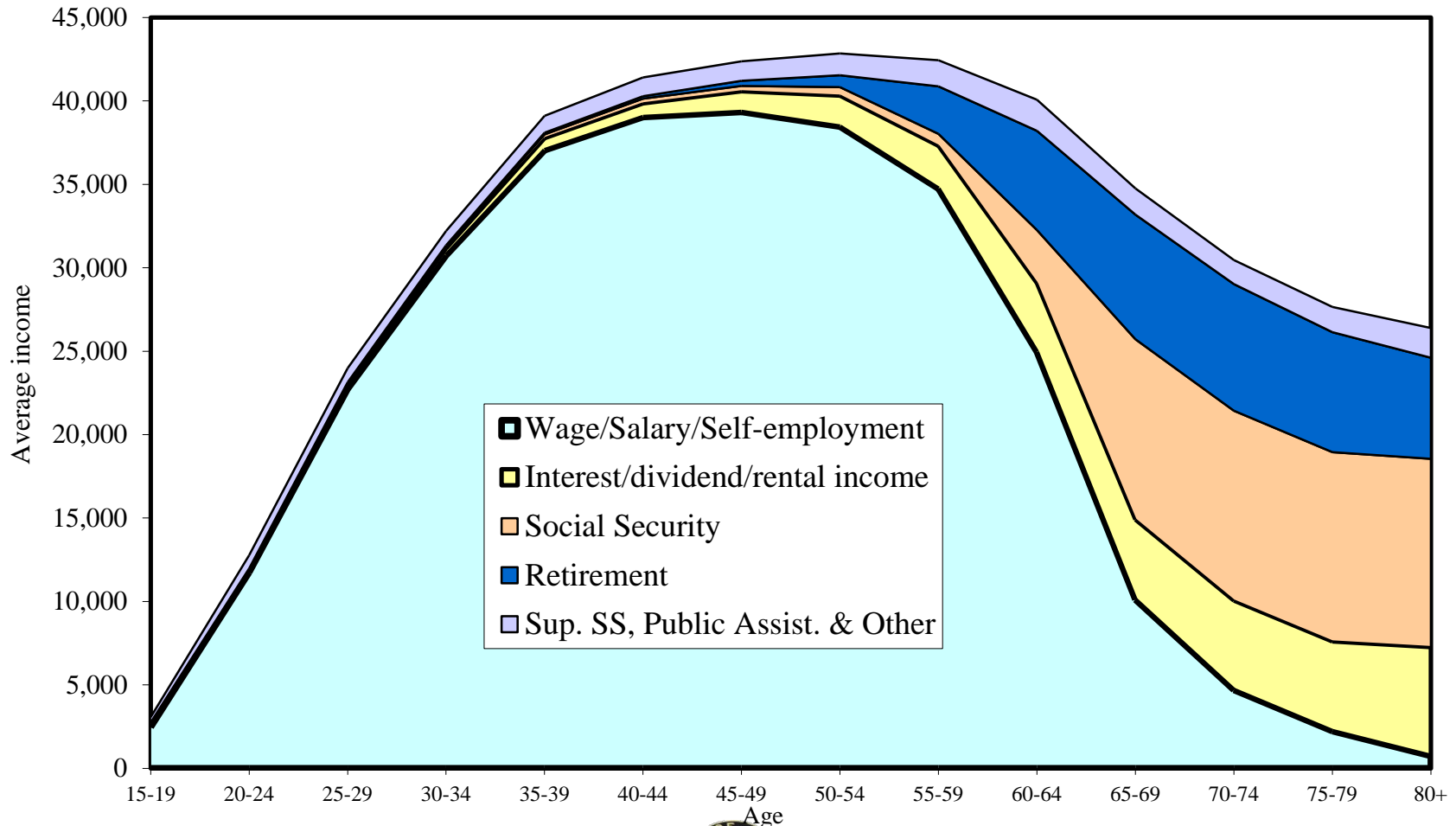
Other taxes include General Fund portions of the Eastern Oregon Severance Tax, Western Oregon Severance Tax and Amusement Device Tax. Commercial Fish Licenses & Fees and Pari-mutual Receipts are included in Other Revenues





Oregon's Eroding Tax Base

Person's Income From All Sources, 2008-2010



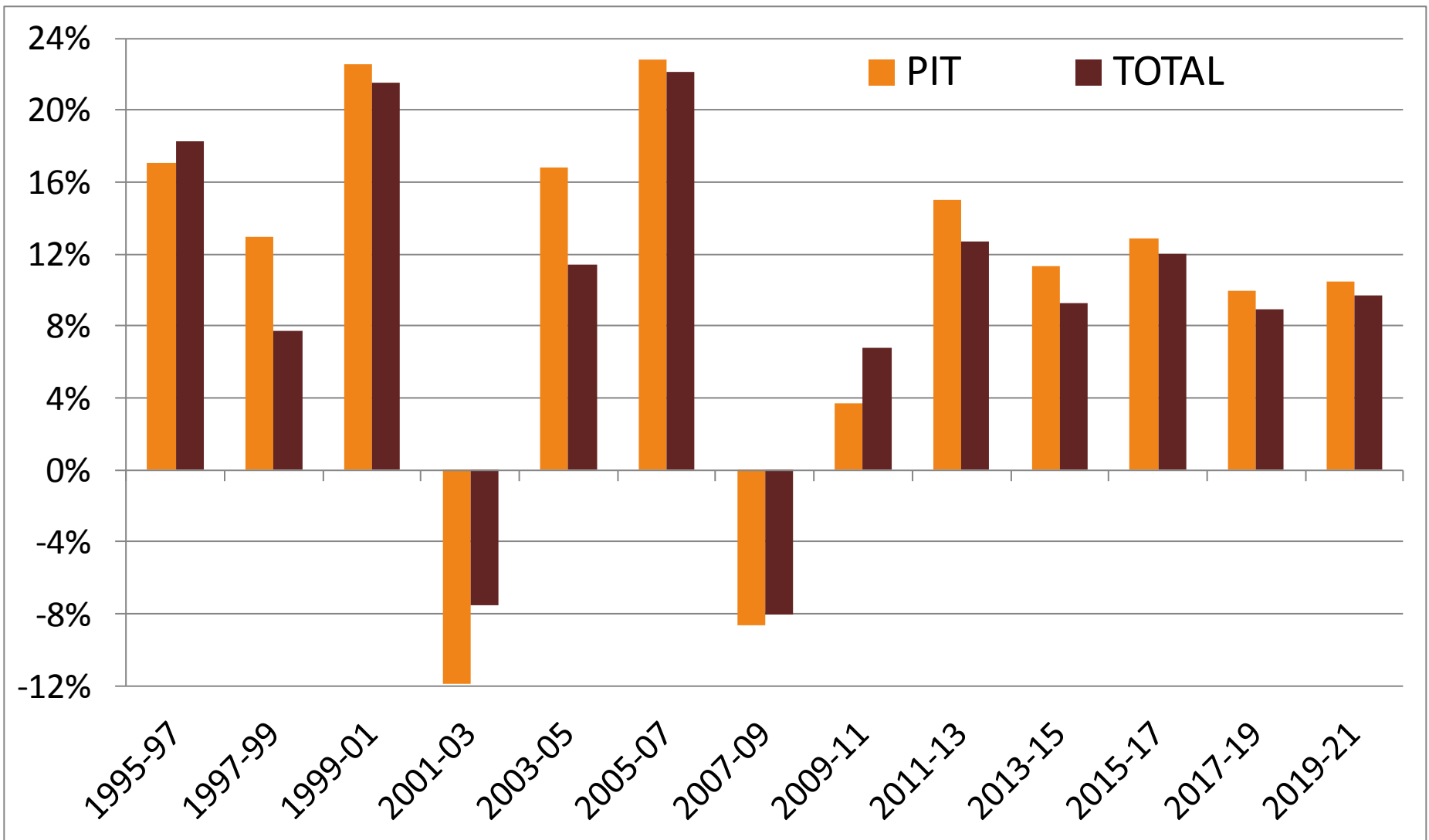
Source: U.S. Bureau of Census, ACS 2008-10, PUMS.



Office of Economic Analysis



Biennial Revenue Growth





For More Information

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